



AR07

MacMillan Bloedel Limited

ANNUAL REPORT 1966



The Powell River expansion project is the largest ever undertaken by MacMillan Bloedel Limited. At the peak of the construction period some 1800 workers were employed on the job. When completed the project will have cost approximately \$104,000,000.

Facilities included in the project are a new newsprint machine, the tenth at Powell River; a new kraft pulp mill and a new warehouse. A railroad ferry ramp will give Powell River a rail link for the first time in its history.





Cover photo shows workmen
assembling No. 10 newsprint
machine at Powell River.
This machine is scheduled
to go into operation in
the late spring of 1967 and will
have an annual capacity of
160,000 tons per year.



PRENTICE BLOEDEL Bainbridge Island, Washington, U.S.A.
Retired - former Vice-Chairman, MacMillan & Bloedel Limited

ANSON BROOKS Seattle, Washington, U.S.A.

AR07



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MacMillan Bloedel
Limited
and Subsidiary Companies
Interim Report
to the
Shareholders
for the
Year Ended
December 31, 1966

Limited

Limited

Limited

Interim Report to the Shareholders for the Year Ended December 31, 1966

In accordance with previously established policy the directors present herewith to the shareholders this short interim report so that they may be informed of the estimated results of the past year as soon as they have become available. As will be seen from the summary, the Consolidated Net Earnings for 1966 were \$42,460,618 as compared with \$40,594,282 in 1965, an increase of 4.6%. Sales and Other Income amounted to \$478,954,359 as against \$437,182,442, an increase of 9.6%.

Higher shipment volumes of newsprint and pulp and higher prices for newsprint, lumber and plywood partly offset by lower volumes of paper and lumber and lower prices for pulp were the principal factors accounting for the increase in sales of \$41,771,917. However, the increased earnings that would normally be expected from such an increase in sales from substantially the same

facilities that were in use in the previous year have been reduced by higher production costs and interest charges on funds borrowed to finance expansion programmes which will not become productive until later in 1967 and in 1968.

Complete financial statements, together with the report of the Board of Directors covering the activities of the Company during the year, will be mailed in due course prior to the Annual General Meeting.

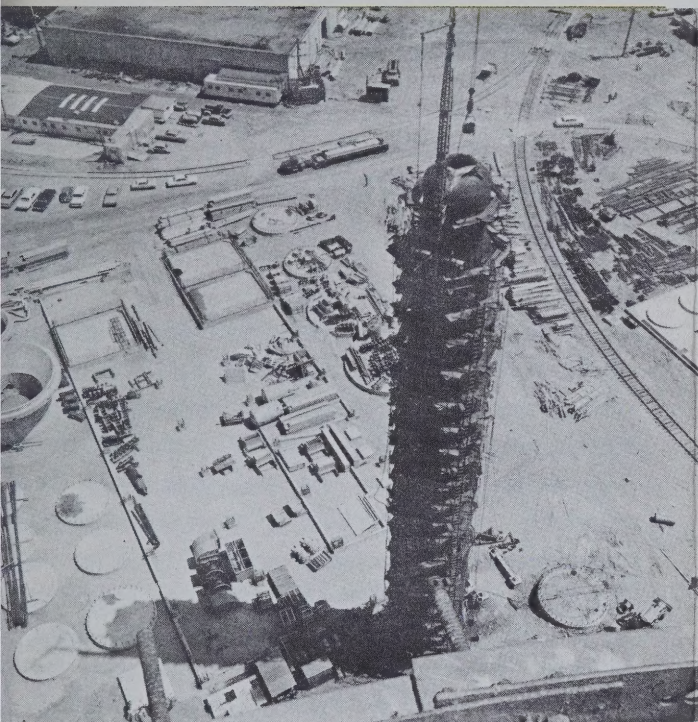
J. V. Glyne
Chairman

Vancouver, B.C.
February 28, 1967

Sales and Other Income	
Profit before deducting undernoted items	
Depreciation, Depletion and Amortization	
Current Income Taxes	
Earnings before deducting Deferred Income Taxes	
Deferred Income Taxes	
Net Earnings for the Year	
Earned per Share	

Year Ended December 31	
1966	1965
\$478,954,359	\$437,182,442
\$110,210,638	\$102,608,244
28,340,222	23,976,158
19,328,386	25,830,811
47,668,608	49,806,969
62,542,030	52,801,275
20,081,412	12,206,993
\$ 42,460,618	\$ 40,594,282
\$2.04	\$1.95





New Kamyr digester is part of Powell River expansion programme.

Items of Interest

Two important acquisitions, one in eastern Canada and one in the eastern United States, were announced by the Company in recent weeks. They will strengthen MacMillan Bloedel Limited's market position in both wood products and packaging.

The Company has acquired a substantial interest in Kingsway Lumber Co. Limited, a building materials distributor with headquarters at Toronto-Islington, and eight branches in Ontario. It represents an important addition to the network of sixteen distribution centres which MacMillan Bloedel operates in six provinces, and it will improve the Company's services to the building materials trade in a major market area.

The corrugated box plant purchased from St. Regis Paper Company in Jersey City, New Jersey, will provide an additional outlet for linerboard which the Company will produce in partnership with United Fruit Company in Alabama. The Jersey City plant consumes approximately 28,000 tons of linerboard and corrugating medium per year and employs about 200 persons.

PRINTED IN CANADA

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MacMillan Bloedel Limited and Subsidiary Companies Report to the Shareholders for the Six Months Ended June 30, 1966

Limited

Limited

Limited

Retired - former Vice-Chairman, MacMillan & Bloedel Limited

FREDERICK WILSON Spokane, Washington, U.S.A.
Investment Counsel

C. B. WRIGHT, JR. Seattle, Washington, U.S.A.
Real Estate Development

Cover photo shows workmen assembling No. 10 newsprint machine at Powell River. This machine is scheduled to go into operation in the late spring of 1967 and will have 160

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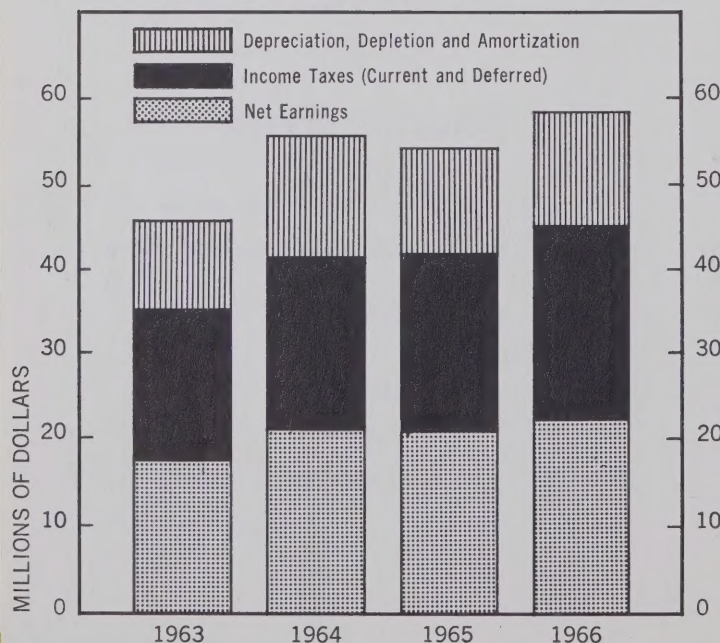
Report to the Shareholders for the Six Months Ended June 30, 1966

The net income for the six months ended June 30, 1966 was \$22,268,349 as against \$21,065,582 for the corresponding period in the previous year. Sales and other income for the two periods were \$236,232,196 and \$216,079,949 respectively.

The improvement in the current year is due to increased volumes of shipments in all major products, and higher prices for newsprint, the latter taking effect on April 1st of this year. Off-setting these favourable factors were increased costs and lower prices for pulp.

The negotiations with the International Woodworkers of America failed, and the Provincial Government appointed The Honourable Mr. Justice Nemetz as an industrial enquiry commissioner. The report submitted recommended wage increases of 20 cents an hour for each of two years, increased shift differential, and other benefits. These costly conditions were promptly accepted by the union and subsequently agreed to by the industry, having regard to the intervention of the Provincial Government, and its clearly expressed desire to avoid a major industrial

EARNINGS Six Months to June 30



Sales and Other Income	236,232,196
Earnings before deducting undernoted items	216,079,949
Depreciation, Depletion and Amortization	(10,000,000)
Current Income Taxes	(18,000,000)
Earnings before deducting Deferred Income Taxes	22,268,349
Deferred Income Taxes	(1,000,000)
Net Earnings for the First Half	21,268,349
Earned per share (Dollars)	0.40

NOTE: Subject to audit.

dispute. The part taken by the Federal Government in the strike of the dockworkers and the threatened work stoppage by the seaway workers in Eastern Canada, and the high awards made in those instances no doubt had a bearing on the situation in the West. The cost to the Company will be very heavy, and such a scale of increases can only add substantially to the inflationary tendencies in evidence at the present time.

The International Brotherhood of Pulp, Sulphite and Paper Mill Workers and the United Paper-

First Half			
1963	1964	1965	1966
(In Millions of Dollars)			
<u>\$164.8</u>	<u>\$201.9</u>	<u>\$216.1</u>	<u>\$236.2</u>
<u>45.6</u>	<u>55.2</u>	<u>53.9</u>	<u>58.2</u>
<u>10.9</u>	<u>13.9</u>	<u>12.2</u>	<u>13.2</u>
<u>14.9</u>	<u>16.8</u>	<u>16.4</u>	<u>13.3</u>
<u>25.8</u>	<u>30.7</u>	<u>28.6</u>	<u>26.5</u>
<u>19.8</u>	<u>24.5</u>	<u>25.3</u>	<u>31.7</u>
<u>2.3</u>	<u>3.2</u>	<u>4.2</u>	<u>9.4</u>
<u>\$ 17.5</u>	<u>\$ 21.3</u>	<u>\$ 21.1</u>	<u>\$ 22.3</u>
<u>\$.84</u>	<u>\$ 1.02</u>	<u>\$ 1.01</u>	<u>\$ 1.07</u>

PRENTICE BLOEDEL Bainbridge Island, Washington, U.S.A.
Retired - former Vice-Chairman, MacMillan & Bloedel Limited

ANSON BROOKS Seattle, Washington, U.S.A.
President, Powell River-Alberni Sales Corporation

F. H. BROWN Vancouver, British Columbia
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J. M. BUCHANAN Vancouver, British Columbia
Chancellor of the University of British Columbia

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President, Nelsons Laundries Limited

THE HONOURABLE J. V. CLYNE Vancouver, British Columbia
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President, Smith Lithograph Company Limited

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Vice-President and General Manager, Wood Products Group, MacMillan Bloedel Limited

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Vice-President and General Manager, Smith, Davidson & Lecky Limited

G. A. L. M. LHOEST Maastricht, Holland
Director, Koninklijke Nederlandsche Papierfabriek N.V.

H. R. MacMILLAN Vancouver, British Columbia
Retired - former Chairman, MacMillan & Bloedel Limited

E. S. McCORD Seattle, Washington, U.S.A.
Partner, McCord, Moen, Sayre, Hall & Rolfe, Attorneys

R. G. MILLER Vancouver, British Columbia
President, Fidelity Life Assurance Company

H. T. MITCHELL Vancouver, British Columbia
President, Mitchell Press Limited

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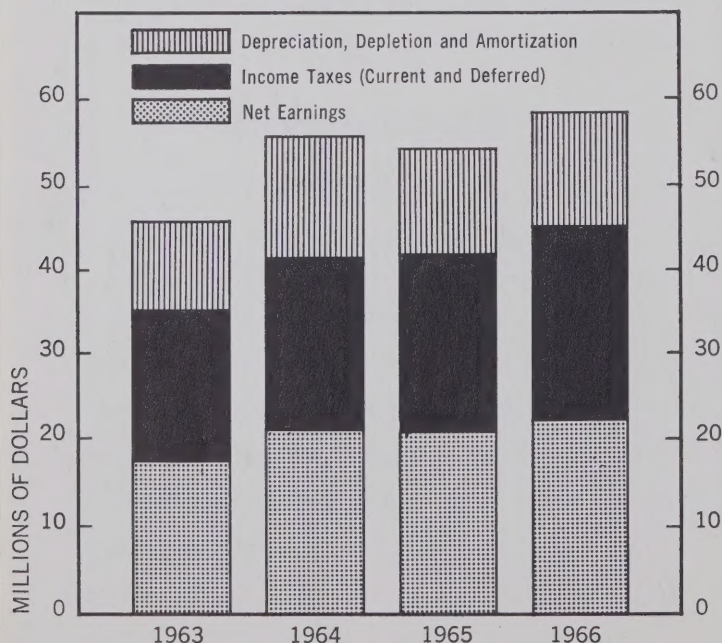
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Report to the Shareholders for

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EARNINGS Six Months to June 30



makers and Paperworkers who represent the hourly paid employees in our three primary pulp and paper mills have accepted, with the assistance of a conciliation officer, terms of settlement of a new two-year contract containing conditions substantially the same as the I.W.A. award.

In regard to the contingent liabilities, to which reference was made in the Annual Report for 1965 and the report for the three months ended March 31 last, the accounts continue to be prepared on the assumption that the Esquimalt and Nanaimo Railway Co. Belt Land Tax, U.S.A. Income Tax on sales of newsprint, and the B.C. Logging Tax matters will be favourably settled. Respecting the first-named matter the appeal of the Company against the decision of the Supreme Court of British Columbia was unanimously allowed by the Court of Appeal of British Columbia. The Court of Appeal held that the timberland purchased from the Esquimalt and Nanaimo Railway Company at the end of 1964 for approximately \$36,000,000 must be assessed for severance tax purposes in its entirety rather than piecemeal as argued on behalf of the Government. The Provincial Government has a right of appeal to the Supreme Court of Canada.

J. V. Glyne

Vancouver, B.C.
July 26, 1966

Chairman

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Real Estate Development

Directors

Officers

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C. A. SPECHT *President*
G. D. ECCOTT *Vice-President – Finance, and Secretary of the Company*
L. G. HARRIS *Vice-President and General Manager, Pulp and Paper Group*
J. O. HEMMINGSEN *Vice-President and General Manager, Wood Products Group*
H. V. TOWNSEND *Vice-President and General Manager, Packaging Group*
P. M. DOWNES *Vice-President, Corporate Communications*
D. W. TIMMIS *Vice-President, Production – Pulp and Paper Group*
H. R. CHISHOLM *Assistant Vice-President and General Manager, Logging Group*
Dr. L. A. COX *Director of Research*
G. B. CURRIE *Assistant Vice-President, Administration – Pulp and Paper Group*
I. S. BRAND *Assistant Vice-President, Marketing – Wood Products Group*
J. R. FORREST *Assistant Vice-President, Manufacturing – Wood Products Group*
A. C. McGOUGAN *Assistant Vice-President, Pulp and Paper Sales – Pulp and Paper Group*
R. M. BIBBS *Assistant Vice-President, Industrial Relations*
C. G. CHAMBERS *Treasurer*
T. P. BOYLE *Corporate Controller*
F. H. BRITTON *Corporation Solicitor*
A. P. MacBEAN *Chief Forester*
E. N. WALTON *Chief Engineer*
R. D. MacFAYDEN *Assistant Secretary*
J. G. C. CUNNINGHAM *Assistant Secretary*

Executive Committee

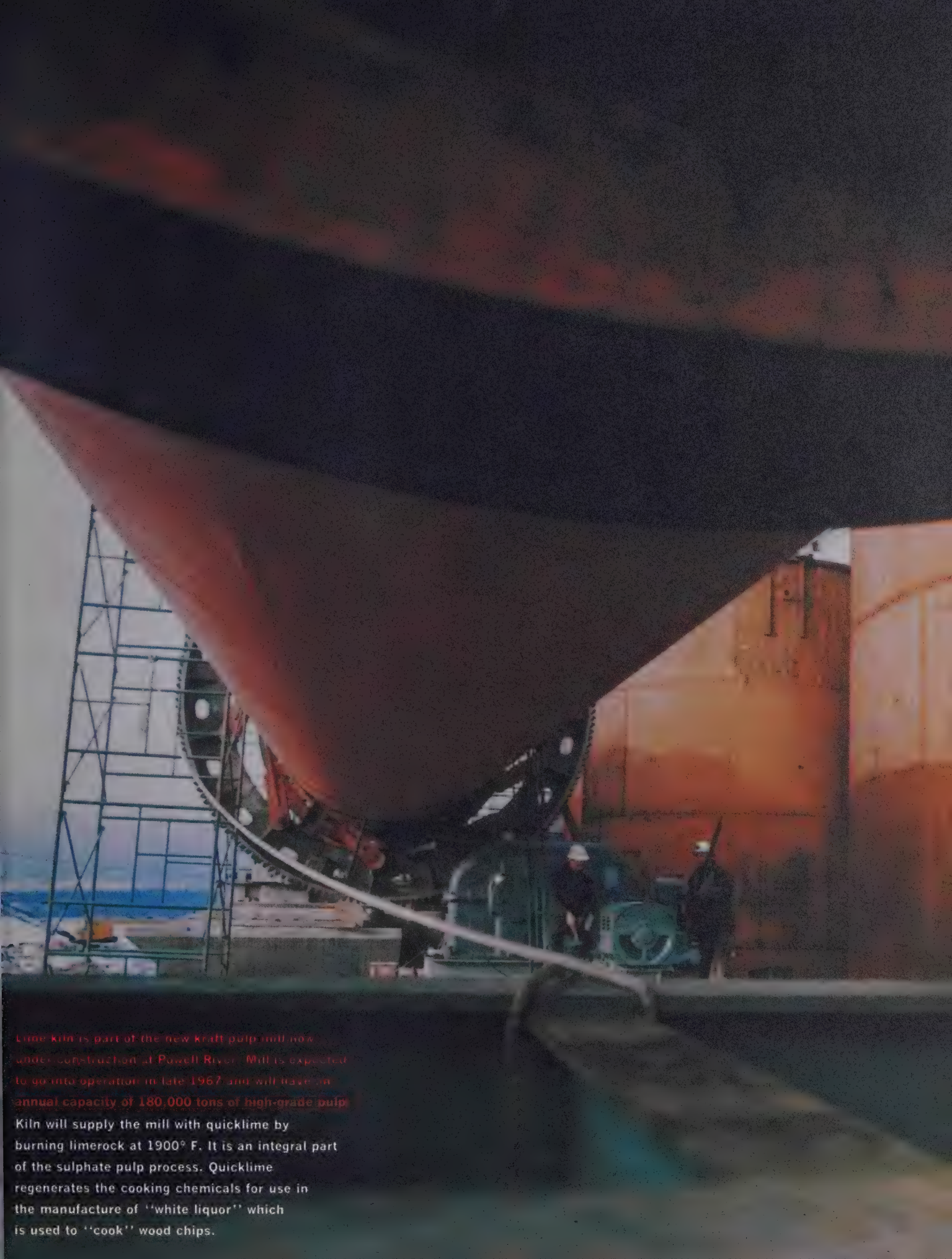
THE HONOURABLE J. V. CLYNE (*Chairman*)
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H. R. MacMILLAN
R. G. MILLER
E. G. SHORTER
C. A. SPECHT
W. J. VANDUSEN

Registrars and Transfer Agents

THE ROYAL TRUST COMPANY, Vancouver
THE CANADA TRUST COMPANY, Montreal, Toronto, Winnipeg

Auditors

PRICE WATERHOUSE & CO., Vancouver



Lime kiln is part of the new kraft pulp mill now under construction at Powell River. Mill is expected to go into operation in late 1967 and will have an annual capacity of 180,000 tons of high-grade pulp. Kiln will supply the mill with quicklime by burning limerock at 1900° F. It is an integral part of the sulphate pulp process. Quicklime regenerates the cooking chemicals for use in the manufacture of "white liquor" which is used to "cook" wood chips.



New facilities at Alberni Plywood Division increased the capacity of that mill by 33 percent.

Summary of Significant Facts

	Year Ended December 31 1966*	Year Ended December 31 1965
EARNINGS		
Income		
Sales of products and services	\$473,504,817	\$434,289,256
Other income	5,449,542	2,893,186
Total income	<u>\$478,954,359</u>	<u>\$437,182,442</u>
Earnings before income taxes	\$ 81,870,416	\$ 78,632,086
Net earnings after income taxes		
Amount	\$ 42,460,618	\$ 40,594,282
Per Share	\$ 2.04	\$ 1.95
Earnings after current income taxes but before providing for deferred income taxes		
Amount	\$ 62,542,030	\$ 52,801,275
Per share	\$ 3.00	\$ 2.53
Charge for		
Depreciation	\$ 19,425,250	\$ 17,405,735
Depletion	4,935,593	3,279,980
Amortization of logging roads	3,979,379	3,290,443
	<u>\$ 28,340,222</u>	<u>\$ 23,976,158</u>
Earnings retained in business at end of year	\$164,702,393	\$148,358,916
 CAPITAL EXPENDITURES	 \$ 90,418,360	 \$ 52,324,668
DIVIDENDS		
Cash – Ordinary shares		
Amount	\$ 20,856,255	\$ 20,848,755
Per share	\$ 1.00	\$ 1.00
Cash – Preference shares		
Amount	\$ 46,822	\$ 24,600
Per share	\$.03	\$.03
Stock		
Amount	\$ 5,214,064	\$ 4,169,251
Per share	\$.25	\$.20
 EMPLOYEES		
Wages, salaries and employee benefits	\$116,772,119	\$101,485,089
Number at end of year	15,959	14,930
 SHAREHOLDERS		
Number at end of year	24,415**	23,135**

*Statistics and charts throughout this report do not reflect the consolidation of overseas subsidiaries (see Note 1 of Financial Statements).

**Excluding holders of share warrants.

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS: MacMILLAN BLOEDEL LIMITED

The Board of Directors presents herewith to the shareholders the consolidated financial statements of MacMillan Bloedel Limited and its subsidiaries for the year ended December 31, 1966, together with the report of the auditors, Messrs. Price Waterhouse & Co.

The net earnings amounted to \$42,460,618 for 1966 as compared with \$40,594,282 for 1965, an increase of 4.6%. The amount charged for depreciation, depletion and road amortization amounted to \$28,340,222 as compared with \$23,976,158 for the previous year. Deferred income taxes for the year were \$20,081,412 as against \$12,206,993 for 1965, the increase being due principally to the expansion at Powell River in respect to which the Company was entitled to claim for income tax purposes substantial amounts of capital cost allowances notwithstanding the fact that the new mill will not come into operation until about the middle of the current year. The total provision for deferred income taxes is now \$52,334,300.

Sales and other income were \$478,954,359, an increase of 9.6%, or \$41,771,917 over the 1965 figure of \$437,182,442. This is a reasonably satisfactory increase and is due in part to the inclusion of the sales of certain new company acquisitions made during the year. Generally, sales volumes were higher for all products except kraft paper, as also were prices with the exception of pulp.

During the year the economy of the Western world showed unmistakable inflationary tendencies, which led to Governments and Central Banks taking measures designed to curb demand. These measures, which were principally in the form of restrictions on monetary supply, became increasingly effective as the year advanced. Residential housing, which is so important a factor in the forest industry, was one of the first to reflect the changing situation and construction fell off sharply in the United States, United Kingdom and Canada.

The forest industry of British Columbia as a whole had unusually difficult labour problems. In the early

part of the year customers increased their purchases as a precautionary measure in case of a strike in the summer. Direct negotiations failed to achieve labour agreements and ultimately Mr. Justice Nemetz, the Industrial Inquiry Commissioner appointed by the Provincial Government, made recommendations from which very onerous terms resulted, radically affecting the scale of wages and salaries in British Columbia. It is estimated that the settlement will have the effect of increasing the total wage costs of the forest industry in the Province, including pulp and paper, by \$20 million in the first year and a further \$20 million in the second. Moreover, the heavy inventories that had accumulated in the meantime served to depress market prices which made a slow recovery. Finally, shortly before the end of the year, there was a dispute on the Vancouver waterfront which threw all the ports in British Columbia into confusion and caused complete dislocation of shipments for several weeks.

In the circumstances described above and bearing in mind that interest charges were considerably higher due to expansion without the benefit of the resulting income, the Company can look back upon the year under review with moderate satisfaction.

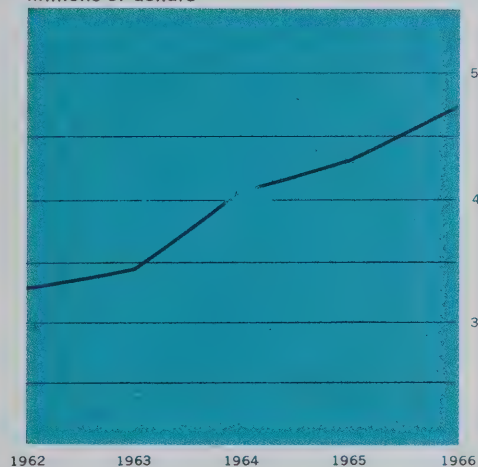
Before discussing the performance of the individual Groups in detail, the principal production figures for the year are given below:

PRODUCT	UNIT	1966	1965
Logs	(M FBM)	1,536,410	1,339,929
Lumber	(M FBM)	1,037,806	1,014,757
Plywood	(M Sq. Ft. $\frac{3}{8}$ ")	406,271	386,457
Shingles	(Squares)	430,852	479,983
Newsprint	(Short Tons)	896,361	843,968
Pulp	(Short Tons)	586,867	556,135
Kraft Paper and Paperboard	(Short Tons)	174,462	173,018
Fine Paper	(Short Tons)	20,043	17,868
Corrugated Containers	(M Sq. Ft.)	1,057,038*	699,881

*Including 269,867 M Sq. Ft. manufactured in the U.S.A. plants subsequent to their acquisition during the year.

Sales of Products and Services

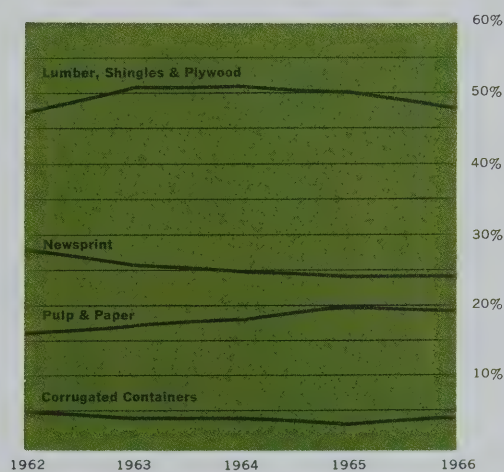
Millions of dollars



Sales of Products by Markets

	1966	1965
U.S.A.	42.5%	40.7%
B.C.	9.0%	9.0%
Rest of Canada	16.3%	14.5%
U.K.	10.3%	14.3%
Japan & Orient	8.4%	5.8%
Other	13.7%	15.7%

Percentage Contribution to Sales by Products



Distribution of Total Income

	1966	1965
Purchases of Goods, Supplies & Services	49.7%	50.5%
Wages, Salaries & Employee Benefits	24.4%	23.2%
Federal, Provincial & Municipal Direct Taxes	11.1%	11.5%
Depreciation, Depletion & Amortization	5.9%	5.5%
Dividends	5.5%	5.7%
Earnings Retained	3.4%	3.6%



Four-hundred-foot boiler stack dominates the 14-acre landfill where the Company's Powell River expansion project is nearing completion. Part of the new kraft pulp mill, the stack is one of the tallest in Canada. The other high-rise structures in this picture are the Kamyr digester to the left of the stack and the power house to the right. Present indications are that all the new facilities will be in operation by the end of 1967.



The following comments are made in respect of the operations of the different groups within the Company:

Logging

The Logging Group operates nineteen divisions, all of which are situated in British Columbia within a short distance of the sea. Two operations, Misery Creek and Wakeman Divisions, were closed temporarily during the year and a new operation, by the name of Cameron Division, was opened. This operation, the capital cost of which was over \$4 million for roads, buildings and equipment, is located near Port Alberni on the south side of the Alberni Inlet adjacent to the Franklin River operations. It will log a substantial volume of the timber recently purchased from the Esquimalt & Nanaimo Railway Company and, in addition, timber contained in the Company's Tree Farm Licences in that area.

The Logging Group also operates a pole and piling division as well as the Kingcome Navigation Division which conducts a general towing business.

The pole and piling division performs the function of logging selected cedar trees from the Company's timber limits for utility and power transmission line poles. They are sold throughout Western Canada and the Mid-Western United States. The market during the year was good and a substantial increase in production was in response to strong demand at good prices.

Kingcome Navigation took delivery of the new ocean-going tug "Haida Brave", which went into service in the transportation of newsprint by barge to California. The Company is now operating two barges, specially built for the purpose, each of which can carry about 7,000 tons of newsprint and which together work on the basis of one being loaded while the other is at sea. The system has been put to a thorough test and can be regarded as highly successful.

The average open market price of logs declined as compared to the last two years, as will be seen from the following table:

	Average Open Market Price of Logs Per M FBM
1966.....	\$60.31
1965.....	64.65
1964.....	63.25
1963.....	53.15
1962.....	48.35

The operations for the year for the Group on

the whole were satisfactory. Log production was 15% higher than the previous year at 1,536 MM FBM, which was good in view of the heavy snowfalls in early spring, the shortage of skilled labour and delays in the delivery of new equipment.

Logging costs were burdened by the heavy increase in labour rates as well as by substantial increases in the allowances for travel time which came into effect in July under the terms of the Nemetz report. Less serious factors were the higher cost of supplies and the scarcity of skilled personnel due to a high labour turnover at a time of great activity in the heavy construction industry in British Columbia. Crown stumpage showed a reversal of the upward trend in recent years and dropped back to a level which reflected the lower market price of logs to which the rates are related by the Forest Service formula. The following are the comparative figures for the last five years:

	Average Crown Stumpage Paid Per M FBM
1966.....	\$11.42
1965.....	13.28
1964.....	10.69
1963.....	6.09
1962.....	4.79

It will be observed that stumpage rates have increased very sharply in a matter of a few years, and this has also been the case with property taxes which, apart from the recent purchase of E & N Railway Company timber, have doubled in amount since 1963.

To counteract these disadvantages the Company is giving continuous attention to the reduction of logging costs through improved organization and co-operation with manufacturers in the design of more efficient equipment to meet the Company's needs.

The development of townsites in the vicinity of logging operations through the construction of family homes is progressing satisfactorily. Some sixty homes will soon be completed at the Kelsey Bay and Port Hardy Divisions on Vancouver Island, and a further ten are expected to be ready shortly at Port Clements on Queen Charlotte Islands. The houses are sold on favourable terms to the employees. Long term logging operations lend themselves to this type of settlement, which has the advantage of attracting permanent employees. However, in the meantime, bunkhouses continue to be used in certain areas.

Forestry

Intensive forestry, which was introduced by the Company four years ago, is being pursued with vigour. Briefly, this includes planting immediately after logging, spacing young trees and thinning overcrowded areas by the removal of merchantable timber. An additional 27,000 acres were treated in this way during the year.

In 1966 over 4 million trees were planted on 12,700 acres, which is the most ambitious forestry

The shortage of seed due to the requirements of the reforestation programme and the lack of suitable cone crops since 1959 was alleviated during the year. A good crop over a wide area permitted the collection of some 2,700 bushels of cones which may be expected to yield 1,500 lbs. of seed. The collections were made either from good quality natural stands of timber or prepared seed production areas, and there is now a supply of seed sufficient to meet reforestation requirements for the next five to seven years.

Significant progress was made during the year in the measurement and analysis of growth in both natural and managed stands, thus providing a sound basis for the prediction of future yields. Over 500 plots have been established since 1955 and the data gathered in regard to the productivity of the Company's forests will greatly assist more accurate planning.

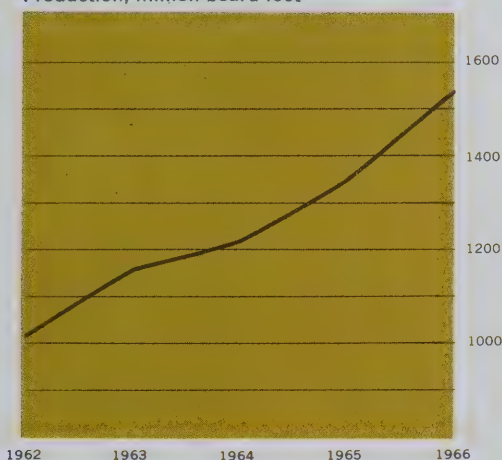
In 1966, Forest Industries Flying Tankers Limited, in which the Company is a major shareholder, established a permanent base at Sproat Lake on Vancouver Island. Conditions were favourable during most of the fire season which resulted in a greatly reduced use of the two Martin Mars aircraft. The aircraft made 22 water drops on three Company fires for a total of 122,000 gallons. Again this year the Company's forest fire loss was of minor significance.

Because of the serious threat by the woolly aphid to the balsam species, particularly in the coastal forest, the forest industry made strong representations to the Provincial and Federal Governments for effective action. A programme was commenced in late 1965 and extensive surveys were conducted by the B.C. Forest Service in 1966. It was found that the infestation covered a large area, both on Vancouver Island and on the mainland. The Federal Department of Forestry has undertaken an extensive research programme including the study of the biology of the insect with a view to possible chemical and other control methods.

In the meantime the forest industry, on a voluntary basis, has restricted the movement of balsam logs from the infestation zone and is actively supporting all aspects of the programme as well as participating in the cost.

Logs

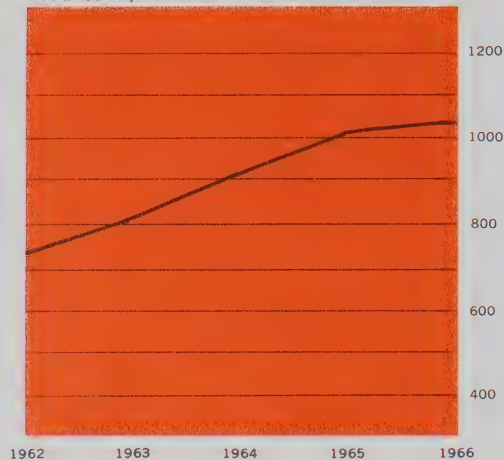
Production, million board feet



programme ever carried out in the history of the Company. A significant milestone was reached on April 14 when the Chairman of the Board, assisted by the young daughter of Mr. Douglas Best, one of the Company's forestry supervisors, planted the 50 millionth tree. By the end of the year the grand total planted on all lands under Company management reached a total of 52.3 million trees over 110,000 acres. In addition, large acreages were regenerated by natural means.

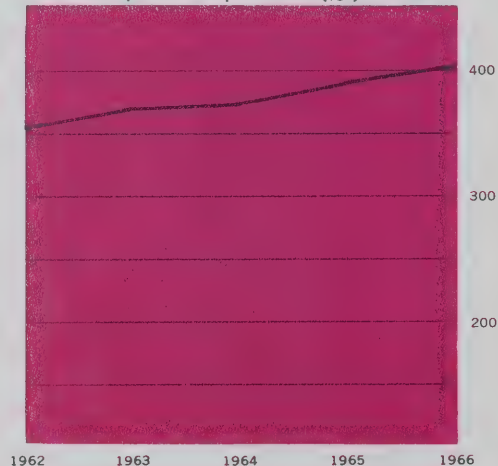
Lumber

Production, million board feet



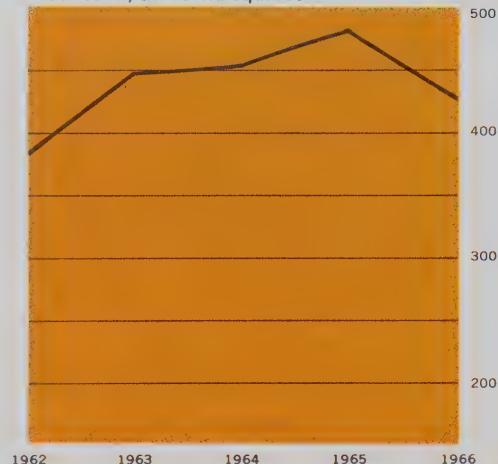
Plywood

Production, million square feet (3/4")



Shingles

Production, thousand squares



Wood Products

Sales of lumber and plywood, which account for over 90% of the sales of this Group, were only marginally higher. On the other hand, marked gains were made in the sales of Aspenite panelboard, particleboard and specialty board over the previous year, when they were first sold by the Company. Sales of shingles fell by 9%.

Several changes took place in distribution arrangements. Blanchard Lumber Company, a long established wholesale distributor of building materials with headquarters in Walpole, Massachusetts, was acquired thus ensuring its continuation as an outlet for the Company's sales to the Atlantic coast market of the United States. In June a majority interest was purchased in Kingsway Lumber Co. Limited in Toronto, which for many years has sold a substantial volume of the Company's products, particularly plywood, to the Ontario market. Heavy losses had been suffered by that company in the year prior to acquisition, largely due to bad debts, and time will be required to establish it on a sound and profitable basis.

The Company continues to sell lumber, plywood and shingles manufactured by British Columbia Forest Products Limited, as it has in the past, to the mutual satisfaction of both companies.

LUMBER

In the first half of the year demand was good but later fell off with some improvement becoming evident in the last few months.

In regard to the volume of shipments to the various markets, while there was some increase in Canada and the U.S.A., the United Kingdom showed a sharp drop from 1965 due to the economic difficulties in that country. On the other hand, sales to Japan increased considerably in response to greatly improved business conditions and an effective effort by the marketing organization. Shipments to South Africa were disappointing after an unusually high year in 1965.

Conversion costs in the second half of the year reflected the higher wages and the increasing costs of supplies. Major changes in Somass 'A' mill, which were completed at a cost of about \$1,500,000, resulted in greater efficiency with a marked improvement in

production. These changes constitute the first phase in the modernization of the three sawmills at Port Alberni.

In Alabama a sawmill is being built with an annual capacity of 27 million FBM, together with a plywood mill with an annual capacity of 121 million sq. ft. ($\frac{3}{8}$ " basis). The total cost, which is estimated to be nearly U.S. \$14 million, will be defrayed out of the proceeds of Revenue Bonds issued by The Industrial Development Board of the Town of Camden which, in turn, will lease the mills to the Company on a long term basis.

Timber, in the form of cutting right contracts as well as direct purchases, is being acquired in sufficient volume to support the mills.

PLYWOOD

Shipments to countries abroad constituted about 30% of total sales, with the balance being sold in Canada. No sales are made to the U.S.A. by reason of the tariff barrier between the two countries. For the first time, however, sales were made to Japan, and it is thought that this market has encouraging prospects. Sales to overseas markets generally were in good volume with steady prices. In Canada there was heavy buying prior to the labour negotiations in June. When a settlement was reached without a work stoppage, the high inventories in the hands of distributors, combined with a shortage of mortgage money for house building, led to a general weakness in prices and to lower sales until the balance was restored later in the year.

The expansion programme at the Alberni Plywood Division, which was commenced in 1964, was completed at a total cost of approximately \$4,200,000. The capacity of the plant was increased by 33%. At Vancouver Plywood Division various improvements were undertaken at a total cost of \$555,000, which resulted in operating cost reductions. Both Divisions continued to concentrate on quality control throughout the year.

SHINGLES

Although there was a good market in the first half, it steadily deteriorated later in the year and, on the basis of logs at market prices, there was a loss on

the operation somewhat in excess of that in the previous year. The manufacture of shingles serves as an outlet for logs which would be difficult to use elsewhere. The market is historically uneven and is expected to recover in due course.

ASPENITE

Aspenite is a multi-purpose panelboard which is manufactured at Hudson Bay, Saskatchewan, in a plant purchased from the government of that Province early in 1965. Production and sales to date have been very satisfactory.

PARTICLEBOARD

Steady progress is being made and sales are increasing. However, time will be required before the many uses to which this product can be applied become fully appreciated by industrial users.

Shipments which were made to Eastern Canada were well received, although the freight differential is a heavy handicap.

There are a number of uses for which this product is well adapted, such as floor underlayment and as a substrate for overlays, and it is expected that sales will shortly increase to the point that capacity will be used to the full.

SPECIALTY BOARDS

These are a new series of products made by the application of surface coatings or overlays to panelboard in a variety of patterns and materials. Special equipment has been acquired for these purposes and it is believed that there are many forms in which these new products can be used to great advantage. For example, Sylvaply Epoxy has been developed to facilitate smooth concrete form work. Sylvacote Soffits, another form of specialty board, are pre-cut, pre-primed, vented and screened, presenting many advantages for residential construction. Sylvacote Plygard, on which much research work was done during the year and which was placed on the market early in 1967, will enable savings to be achieved in concrete forming. Each type of board has its specialized use and a growing market is anticipated.





When this new mill becomes fully
operational at Powell River in the
late spring of 1987, it will be capable of
producing newsprint at the rate of
8,000 tons per month.

Number 10 is a five-roll machine,
324 inches wide and is one of the most
modern in the industry. It contains 160
highly polished steel rollers which
must be adjusted to precise tolerances. It
will increase the Company's total
newsprint capacity to more than
one million tons per year and further
enhance Powell River's position as the
world's largest newsprint complex.

Pulp and Paper

The Pulp and Paper Group recorded a general increase in production during 1966 and all the plants operated virtually at capacity throughout most of the year.

The development at Pine Hill, Alabama, is proceeding satisfactorily and most of the equipment orders have now been placed. The linerboard mill, which will have a capacity of 270,000 tons per year, will be operated by MacMillan Bloedel United Inc., which is owned to the extent of 60% by MacMillan Bloedel Limited and 40% by United Fruit Company of Boston, Mass. It is expected that production will commence towards the end of 1968.

In Europe, Koninklijke Nederlandsche Papierfabriek N.V., in which this Company has a 36% interest, has made good progress with the construction of a new coated paper mill at Lanaken in Belgium. The capacity of the new mill is 60,000 tons per annum, and completion is expected by mid-1968. The Company has also joined Koninklijke Nederlandsche Papierfabriek N.V. and Spanish associates in a new project in southern Spain for the construction of a 20,000 ton per annum fine paper mill at Algeciras, which should be ready early in 1969.

The development of the Whitecourt area in the Province of Alberta is still under study.

NEWSPRINT

Sales of newsprint in 1966 were substantially higher than 1965. The demand was such that in order to meet the requirements of customers it was necessary during the year to purchase some production from other companies. Towards the end of the year, while overseas markets held up reasonably well, there was some slackening in demand in the United States.

The price of newsprint was increased by U.S. \$10.00 per ton to U.S. \$134.00 per ton as from April 1, 1966, in the western marketing area of the United States, and a further increase of U.S. \$3.00 per ton was later announced to take effect from June 1st next.

In regard to overseas marketing arrangements, it was decided, following an extensive visit to Australia

by the Chairman of the Board, to establish a wholly-owned subsidiary, MacMillan Bloedel Pty. Limited, in that country to sell the Company's newsprint directly to publishers instead of through a consortium of newsprint manufacturers as in the past. It was considered that, since the Australian market is becoming increasingly important, it would be to the Company's advantage to have complete control over its marketing arrangements. The new subsidiary will also be responsible for lumber sales in New South Wales and Queensland.

The expansion at Powell River is progressing at a cost which, with additions made during the year, is now estimated to be \$104,400,000, but labour unrest, including a strike by carpenters, has caused delays and deliveries of equipment in some cases have fallen behind. As a result the start-up of the additional newsprint machine may prove to be about two months later than planned. It is a five-roll machine, 324" wide with a rated speed of 3,000 ft. per minute. It has a capacity of 160,000 tons per annum and should be in operation by June.

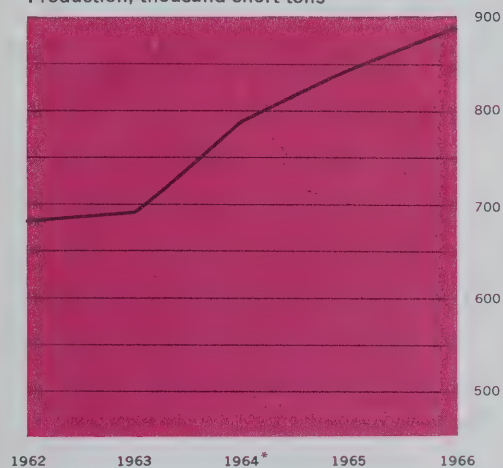
Production from some of the older newsprint machines will be diverted to manufacturing specialty grades such as Supertone for magazine and newspaper supplements.

The new kraft pulp mill at Powell River, with an annual capacity of 180,000 tons, will be ready by the end of 1967. The greater part of the production of semi-bleached kraft will be required for the newsprint machines at Powell River and the balance of the production will be available for sale on the market. This will also release for market the tonnage hitherto supplied by the Harmac mill. However, since this was semi-bleached, one of the new projects for 1967 will be the installation of additional bleaching facilities at Harmac.

Rail barge facilities are being installed at Powell River which will provide a direct link with the railways on the Lower Mainland. This expansion includes facilities

Newsprint

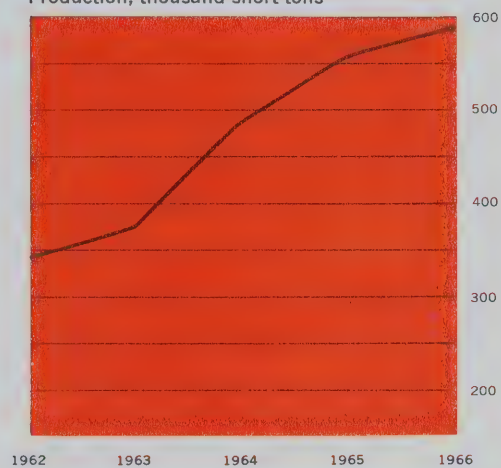
Production, thousand short tons



*Includes tonnage purchased during strike.

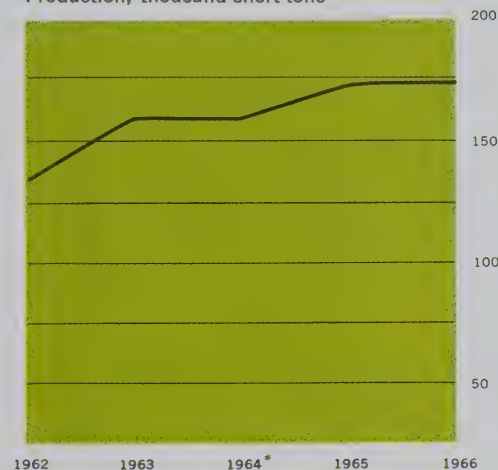
Pulp

Production, thousand short tons



Kraft Paper and Paperboard

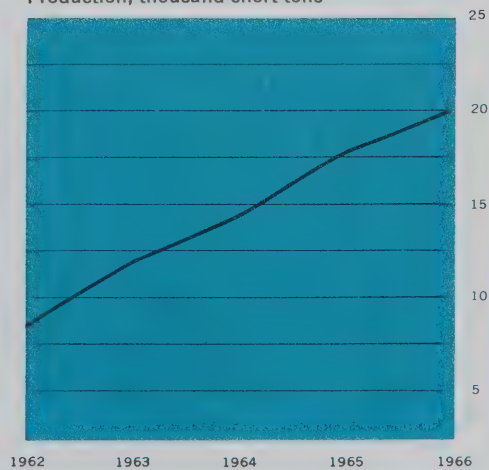
Production, thousand short tons



*Includes tonnage purchased during strike.

Fine Paper

Production, thousand short tons



for the handling of the 7,000 ton capacity newsprint barges used in the California trade.

The new refiner groundwood plant at Port Alberni, which commenced operation early in the year, has proved successful and is a very gratifying conclusion to much research and study.

PULP

Production from the Company's two kraft pulp mills increased by 6% over 1965 and both operated at capacity throughout the year. The sulphite mill at Powell River continued in operation although it is expected to reduce production as kraft becomes available from the new pulp mill.

Price levels were lower than in 1965 but demand held up reasonably well in spite of over-supply in the market due to the number of new mills coming into operation. The sales offices established in the United States and the United Kingdom operated satisfactorily in their first year, and the new arrangement holds out every promise of meeting expectations.

MacMillan Jardine Limited, Hong Kong, with its subsidiary in Japan, had a successful year and sold a good volume of pulp in that market in addition to lumber.

KRAFT PAPER AND PAPERBOARD

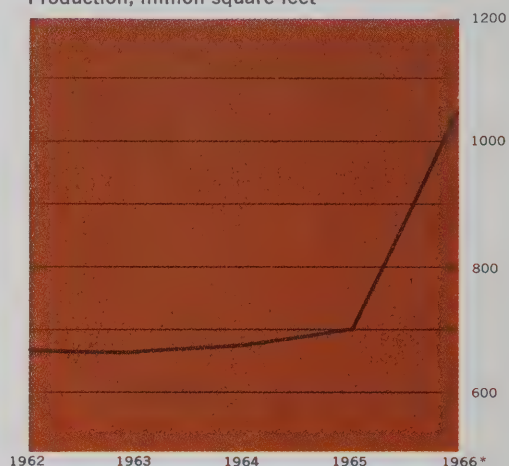
There was good demand for kraft paper and paperboard in 1966, but in regard to the former, due largely to lighter weights being required by customers, the dollar volume of sales was lower than in the previous year. Port Alberni and Powell River, after meeting customer requirements, were unable to meet all the needs of the subsidiary companies in the United Kingdom, which accordingly had recourse in part to outside suppliers. Prices continue to be firm.

FINE PAPER

The production at Island Paper Mills Division on Annacis Island near Vancouver increased 12%. Demand for the Company's fine paper production is increasing year by year and prices remain firm.

Corrugated Containers

Production, million square feet



*Includes production of U.S.A. plants subsequent to their acquisition during the year.

Packaging

CANADA AND U.S.A.

The Packaging Group consists of the Corrugated Container Division, Folding Carton Division and Bag and Specialty Division.

Combined net sales for the Group in Canada increased by 17% over 1965 and profits improved significantly.

CORRUGATED CONTAINER DIVISION

During the year, the name of the Corrugated Container Division in Canada was changed from Martin Paper Products Ltd. to MacMillan Bloedel Packaging Limited with a view to emphasizing the company identity. Under this name the company entered the corrugated container business in the U.S.A. by the acquisition of two plants; one in Jersey City, New Jersey, and the other in Baltimore, Maryland. These are both making good progress and will be important sales outlets when linerboard is available from the Company's new mill in Alabama.

The five Canadian operations are located in Western Canada in New Westminster, Calgary, Edmonton, Regina and Winnipeg. The total net sales for these five plants showed an increase over the previous year of nearly 16%, with improved profits.

Prices were increased during the year but the price structure has remained unsettled by reason of the intense competition which has prevailed in recent years.

There was a minor expansion of the Edmonton plant which included a new die press and additional manufacturing space which was greatly needed.

FOLDING CARTON DIVISION

The new plant, located in Burnaby, B.C., is progressing well and 1966 showed a net sales increase of 20% over the previous year with a satisfactory improvement in profits.

In response to customer demand, the Company changed from wax to polyethylene coated milk cartons. This product has had a very good reception in British Columbia, Alberta and Saskatchewan.

BAG AND SPECIALTY DIVISION

This division had another successful year with higher sales and better profits. The recent plant expansion made a material contribution to product handling and improved service at lower cost.

UNITED KINGDOM

The corrugated container business was extremely competitive. The new plant at Weston-Super-Mare, which is now in operation, is progressing satisfactorily. The plans to open another plant in Northern England were approved and construction is proceeding.

Corporate Research and Development

Corporate Research and Development was reorganized in June into five divisions:

Planning and Services,
Pulp and Paper Products,
Building Materials,
Forest Chemicals,
Packaging.

The research activities previously conducted at Powell River, Nanaimo, Burnaby and Vancouver are now carried on in the Research Centre at 3350 East Broadway, Vancouver. The centre is well equipped for the work that is being undertaken and has an extensive technical library.

In the past year the staff has been strengthened by the addition of a number of highly qualified scientists and technicians.

Research in the forest products industry covers an exceptionally wide field. New products, the increase of pulp yields and the development of by-products from bark and mill effluents, are only a few of the many areas under investigation. In addition, the rapidly advancing new technologies in the scientific world are being constantly evaluated to ascertain whether or not they are applicable to the Company.

Pollution Abatement

The Company has long recognized its responsibility toward pollution abatement and maintains a continuing



This clarifier at the Alpern Pulp and Paper Division is part of the pollution abatement equipment installed in the past year at Fort Alpern at a total cost of more than one million dollars.

Clarifier treats 2,500 gallons of water per minute, removing particles of bark from water coming from the hydraulic debarker. It holds 350,000 gallons of water which flows from it free of solids. A similar clarifier was installed earlier at Somass Division.

programme of research and investment in methods to control both air and water pollution. The Company has, in fact, been a pioneer in techniques to combat what it has always recognized as a serious industrial problem. It is the Company's stated policy to employ in its operations all the techniques and equipment for pollution abatement as soon as they are developed through technological research. To the end of 1966 the Company had expended \$11,701,000 on projects aimed wholly or partially at pollution abatement at its own operations. This was in addition to contributions to B.C. Research Council projects in the same field. The total includes \$6,395,000 spent at Port Alberni alone, and \$1,655,000 in the new mill at Powell River.

Distribution

During the year a number of steps were taken to improve efficiency and to control the increasing cost of distributing the Company's products to overseas markets.

Anticipating a great increase in the practice of "unitizing" lumber and other products in large packages for economical handling to all markets, the Company introduced in the U.S. Atlantic Coast lumber trade a code marking system based on a standard grade and specification within each package unit. This standardized unit has proved to be of great assistance in filling customer orders.

In the United Kingdom the Company is now proceeding with the construction of central distribution terminals at Newport and Tilbury (London) for the reception, storage and redistribution of products. These terminals are strategically located at docks where large bulk cargo ships can be accommodated, and where plenty of space is available for efficient handling and storage. Product marketing practices are being adjusted to conform to the new distribution concept.

Two 28,000 ton ships, approximately twice the size of those normally employed, which have been designed and equipped for the efficient handling of unitized cargo, are being constructed in Japan for the Canadian

Pacific Railway. The Company has arranged to charter these ships on a long term basis as soon as they become available early in 1968. The Company hopes that ships of this size and type will enable it to combat rising transportation costs.

Central Engineering

The major responsibility of this department apart from rendering general engineering services to the operating divisions of the Company has been the expansion at Powell River. The department has also participated in the planning and supervision of the new head office building. Excavation for the twin towers of the new building has been completed and detailed engineering is well advanced. Other projects have been the housing and townsite developments at Kelsey Bay, Port Hardy and Port Clements, the Corporate Research Centre in Vancouver and the expansion of the bleach plant facilities at Harmac.

Central Purchasing

Purchases excluding those related to expansion projects amounted in 1966 to \$53 million, an increase of 6% over the preceding year. There was some delay in deliveries, due in part to the Vietnam war requirements, labour unsettlement and shortage of copper for electrical goods. Prices increased roughly about 3% during 1966, influenced by higher labour and freight costs. There were no major changes in Canadian customs charges during the year.

Distribution of Shares

as at February 13, 1967

	SHARES	NUMBER OF SHAREHOLDERS
Canada.....	15,211,787	23,130
United States.....	4,816,195	1,353
United Kingdom.....	95,554	121
Elsewhere.....	84,479	179
	<u>20,208,015</u>	<u>24,783</u>
Share warrants.....	648,240	
Total.....	<u>20,856,255</u>	

In regard to share warrants, it is estimated that 75% are held in the U.S.A. and 25% in Canada. The number of warrant holders is not known.

Capital Expenditures

The total expenditures for the year were \$90,418,360 grouped under the following headings:

LOGGING

Acquisition of new logging buildings and equipment, construction of roads, final payments on newsprint barges and tug and other additions to the towing fleet.....	\$14,071,312
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WOOD PRODUCTS

Revision of Somass Division facilities, acquisition of property, plant and equipment of Blanchard Lumber Company and Kingsway Lumber Co. Limited, lumber and plywood manufacturing facilities and timber and land in Alabama and general improvements to operations.....	7,246,880
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PULP AND PAPER

Expansion project at Powell River Division, linerboard mill project in Alabama and general improvements to operations.....	63,502,059
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PACKAGING

Acquisition of property, plant and equipment in Baltimore and Jersey City and general improvements to operations.....	4,467,372
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GENERAL

Expansion of research facilities and sundry additions.....	1,130,737
	<u>\$90,418,360</u>

Finance

The third and last closing for the U.S. \$42 million 4.95% Sinking Fund Debentures, Series 'A' maturing in 1990 took place on January 6, 1966, and Debentures in the principal amount of U.S. \$12.8 million were issued at that date.

During the year a new issue of \$50,000,000 5½% Debentures, Series "B" was sold with payment being distributed over three closings.

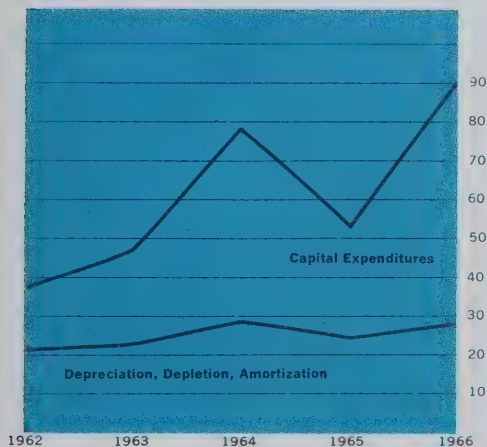
To finance the Alabama project, tax-free revenue bonds, with interest rates varying from 3.95% to 4¾%, of The Industrial Development Board of the Town of Camden, Alabama were successfully marketed in the amount of U.S. \$70,000,000. The bonds are indirectly guaranteed by MacMillan Bloedel Limited and United Fruit Company in proportion to their respective interests and the project will be leased to MacMillan Bloedel United Inc. and MacMillan Bloedel Products Inc. by The Industrial Development Board of the Town of Camden. Payments under the leases will be made over the life of the bonds with the right to purchase the assets on termination of the leases. Further details of this transaction are given in the notes to the Financial Statements.

It will be noted that the working capital as shown by the consolidated balance sheet of the Company has increased considerably. The primary reason is the issuance of bonds and debentures during the year, as will be seen from the consolidated statement of source and application of working capital. The figures also include the working capital of companies acquired and established during the year.

Dealing with certain items included in working capital, as shown on the balance sheet, it will be noted that the inventories increased by approximately \$19,600,000. The greater part of this increase was in wood products and in pulp and paper products. The former includes the inventories of the Blanchard Lumber Company and Kingsway Lumber Co. Limited which were acquired during the year. Moreover, the strike on the waterfront, which stopped the shipment of goods shortly before the year end, was an important factor in the high level of inventories.

It will also be noted that trade and other accounts receivable were higher by approximately \$12,000,000 which included amounts receivable by the new companies and reflected to some extent slower collections due to the monetary restraints that became increasingly operative during the latter part of the year.

Capital Expenditures
Millions of dollars



Stock Options

In 1965, at the Annual General Meeting, the shareholders authorized the granting of options to selected employees not exceeding 50 and limited to 150,000 shares. The Directors granted options for a total of 96,000 shares to 49 employees.

At the Annual General Meeting in 1966 the aggregate number of ordinary shares available for options under the plan was increased to 200,000 shares, and the number of employees increased from 50 at any one time to 150. Unfortunately, changes were made in the Income Tax Act which seriously restricted the benefits capable of being derived by an employee on options issued subsequent to March 29, 1966. As a consequence, no new options have been issued. Representations were made to the Minister of Finance at the time, without result. It is disappointing, but the possibility of evolving some plan which will serve essentially the same purpose is being studied.

Industrial Relations

There were a number of labour agreements which expired this year and, while they were renewed without any strike action, this was achieved only on terms which were exacting and onerous.

The negotiations with the International Woodworkers of America in respect to the renewal of their agreement which expired in June 1966 were inconclusive, and, as previously mentioned, the Provincial Government appointed Mr. Justice Nemetz as Industrial Inquiry Commissioner to report on the dispute. His recommendations included, in addition to other items of expense, a basic wage increase of 20¢ an hour in 1966 and a further 20¢ an hour in 1967. The high wage settlements on the Montreal waterfront and the St. Lawrence Seaway doubtless served as a precedent for proposals on such a scale. The Union accepted immediately and the industry, with reluctance, accepted later. It was a costly settlement for an industry which depends to so great an extent on export markets.

The settlements with the other Unions, which followed soon after, adhered closely to the same pattern.

Towards the end of the year there was a dispute on the Vancouver waterfront as to whether the foremen employed by longshoring companies were entitled to join a union. The dispute spread. Strikes, slow-downs and lay-offs occurred, resulting in the virtual stoppage of the loading and unloading of ships in the ports of British Columbia for over three weeks. Shipments of newsprint, pulp and lumber and other products from the

Company's mills and plants were held up for the equivalent of roughly 21 working days during November and December. Some plants were compelled to close down and there was wide-spread dislocation of shipping arrangements throughout the Province. Finally the dispute was brought to an uneasy close when Mr. Justice Smith was appointed by the Federal Government as Industrial Inquiry Commissioner to make recommendations designed to avoid a recurrence of this most regrettable situation. His findings have not been published as of the date of the preparation of this report.

Accident Prevention

Continued accident control and supervisory training programmes in 1966 were the major contributing factors in achieving a frequency rate 15.3% lower than 1965. The Pulp and Paper Group by a reduction of 25.6% and the Logging Group by a similar percentage showed the greatest improvements during the year. The Bag and Specialty Division has continued to maintain its accident free record which began when the plant commenced operations in May 1957.

Head Office Building

The construction of the new head office building at the corner of Georgia and Thurlow Streets, Vancouver, is proceeding satisfactorily. The building, which has been designed by the Company's architects, Messrs. Erickson-Massey, is of striking appearance and will have twenty-eight storeys containing a rentable floor area of approximately 327,000 sq. ft. of which approximately 130,000 sq. ft. will be used by the Company. The building is being constructed on Company-owned land and will be leased in its entirety by MacMillan Bloedel Limited which, in turn, will sub-let the space not required to outside tenants.

At the present time the staff which ordinarily would be in the head office building is distributed over six locations in the same general area, which causes inconvenience and loss of efficiency. It is expected that the building will be completed in the latter part of 1968. The contractors are Grosvenor-Laing (B.C.) Limited, whose architect is Mr. F. Donaldson.

Corporate Symbol

Coincident with the change in the Company's name, approved by shareholders at last year's annual meeting, a new corporate symbol was adopted to identify the Company and its products. The unique design of



Construction is proceeding in
schedule in the building of the
Company's new head office at
West Georgia and Thurlow
Streets in Vancouver.

The structure will be a major
addition to the downtown Vancouver
skyline, its striking design
enhanced by a landscaped plaza
along the Georgia Street frontage.
MacMillan Bloedel will occupy the
11 top floors of the building and
the balance of the space will be
available for lease to other tenants.

this trademark represents much research covering the special requirements of MacMillan Bloedel Limited. It consists of a stylized letter "M" designed to enclose two coniferous tree forms. A corporate colour has also been adopted for maximum visibility and recognition at a distance. The result is a "corporate signature" which can be recognized instantly by the public. It is a significant step in the growth of the Company as an international concern.

Film Programmes

A series of colour films, the most comprehensive library of films ever produced on the forest industry in British Columbia, is now being distributed by the Company all over the world. It includes eleven films in a series called "The Incredible Forest" and one film called "The Perpetual Harvest" which illustrates all phases of the Company's operations from forestry to marketing. These twelve films were commissioned by the Company to promote a better public understanding of the importance of the forest industry to the Canadian economy and the role played in it by MacMillan Bloedel Limited. The films are available for loan to any interested group or organization.

General

In reviewing the principal accomplishments of the year it is deserving of comment that the Powell River expansion is nearing completion at a cost which is very close to the original estimates, that the Alabama project which, so far as the linerboard mill is concerned, is being undertaken in partnership with the United Fruit Company, is well on its way, and that the marketing organization has been improved by the acquisition of Blanchard Lumber Company in the U.S.A. and Kingsway Lumber Co. Limited in Ontario. The Company has also been strengthened by the purchase of the two corrugated container plants in the U.S.A., the formation of an Australian subsidiary and by the new distribution organization in the United Kingdom formed in conjunction with Montague L. Meyer Limited under the name of MacMillan Bloedel Meyer Limited. These various undertakings constitute together a programme of considerable magnitude in increased production and improved distribution. The cost is considerable, particularly when it is remembered that in addition to these new developments it is the policy of the Company to maintain the existing plant and equipment at a high state of efficiency throughout the organization.

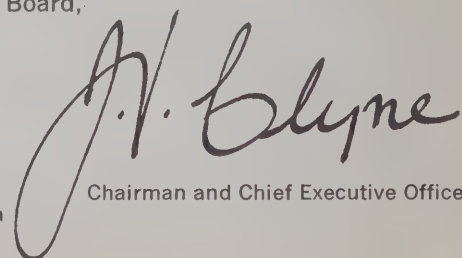
Before embarking on these expansions careful study was given to the potential demand required to absorb the greater volume of production. The Company believes that newsprint consumption will continue to grow, although possibly at a slower pace than in 1966. Pulp will suffer from some temporary over-production as the new mills in British Columbia and elsewhere come into production but the long term prospects are good. The demand for lumber and plywood will gradually rise as the money situation eases, to the benefit of residential construction which, with government encouragement, may be expected to respond to the housing requirements of the increasing numbers of family units.

Residential construction is the object of governmental concern in Canada, U.S.A. and the U.K. In all these countries the numbers of houses being built are far below requirements and measures are now being taken to make mortgage money available in substantial amounts. However, the effects of monetary restraints felt in the latter part of 1966 will not necessarily disappear in the face of greater availability of funds. Confidence in the future is an important factor and when this is established the smaller as well as the larger builders will resume their activities to fill the gap now existing and will, in turn, increase their demands on the forest industry.

It is believed that the coming year will be reasonably satisfactory. It will be necessary, however, for the Company to concentrate its efforts on the completion of its major projects, the benefits of which will only partially be reflected in the results of 1967.

While this is essentially a report to the shareholders, a copy is sent to the employees who it is hoped will read the contents with interest and care so that they may gain a fuller understanding of the Company and its achievements. Their daily efforts in their particular sphere have contributed to the whole in the same way as those of management. A prosperous and successful company is the best safeguard for continued and rewarding employment in future years.

On behalf of the Board,


Chairman and Chief Executive Officer

Vancouver, Canada
March 17, 1967



Corporate research and development has been re-organized in a central laboratory in Vancouver where a staff of 107 is located.

Historical Review

Operating	1966	1965
Production		
Logs.....(M FBM).....	1,536,410	1,339,929
Lumber.....(M FBM).....	1,037,806	1,014,757
Plywood.....(M Sq. Ft. $\frac{3}{8}$ ").....	406,271	386,457
Shingles.....(Squares).....	430,852	479,983
Newsprint.....(Short tons).....	896,361	843,968
Pulp.....(Short tons).....	586,867	556,135
Kraft paper and paperboard.....(Short tons).....	174,462	173,018
Fine paper.....(Short tons).....	20,043	17,868
Corrugated containers.....(M Sq. Ft.).....	1,057,038	699,881
Wages, salaries and employee benefits.....	\$116,772,119	\$101,485,089
Number of employees at end of year.....	15,959	14,930

Financial

Income, all sources.....	\$478,954,359	\$437,182,442
Net earnings after income taxes		
Amount.....	\$ 42,460,618	\$ 40,594,282
Per share.....	\$ 2.04	\$ 1.95
Depreciation, depletion and amortization.....	\$ 28,340,222	\$ 23,976,158
Earnings retained in business for the year.....	\$ 16,343,477	\$ 15,551,676
Capital expenditures.....	\$ 90,418,360	\$ 52,324,668
Dividends		
Cash - Ordinary shares		
Amount.....	\$ 20,856,255	\$ 20,848,755
Per share.....	\$ 1.00	\$ 1.00
Cash - Preference shares		
Amount.....	\$ 46,822	\$ 24,600
Per share.....	\$.03	\$.03
Stock		
Amount.....	\$ 5,214,064	\$ 4,169,251
Per share.....	\$.25	\$.20
Number of shareholders at end of year**.....	24,415	23,135

*Includes tonnage purchased during strike.

**Excluding holders of share warrants.

1964	1963	1962	1961	1960
1,207,872	1,156,260	1,090,170	962,413	957,576
915,206	804,102	744,024	707,792	699,463
374,036	372,054	356,974	347,523	299,335
452,002	449,323	385,423	413,565	385,841
790,850*	689,296	681,448	643,576	656,318
483,773	368,152	343,982	333,932	327,550
159,683*	159,635	134,825	120,971	115,592
14,482	12,089	8,429	5,194	1,986
679,291	665,240	669,523	606,697	624,897
\$ 89,500,618	\$ 81,724,493	\$ 77,526,441	\$ 74,865,659	\$ 74,369,957
14,360	13,430	13,074	13,282	13,108

\$413,308,840	\$349,368,343	\$330,669,043	\$315,323,217	\$305,291,437
\$ 41,440,597	\$ 36,660,068	\$ 36,081,809	\$ 27,395,968	\$ 24,575,651
\$ 1.99	\$ 1.76	\$ 1.73	\$ 1.32	\$ 1.18
\$ 29,007,429	\$ 22,486,653	\$ 21,514,897	\$ 21,903,353	\$ 22,354,087
\$ 16,425,091	\$ 15,828,813	\$ 20,462,118	\$ 11,776,277	\$ 8,959,663
\$ 78,439,712	\$ 47,119,433	\$ 37,608,336	\$ 18,613,028	\$ 16,781,622
\$ 20,846,255	\$ 20,831,255	\$ 15,619,691	\$ 15,619,691	\$ 15,615,988
\$ 1.00	\$ 1.00	\$.75	\$.75	\$.75

—	—	—	—	—
—	—	—	—	—
\$ 4,169,251	—	—	—	—
\$.20	—	—	—	—
20,597	18,909	18,962	18,606	16,728

Work is underway at Tilbury Dock, Port of London, to create a wharf facility capable of handling large bulk carriers loaded with B.C. lumber for the U.K. market.

Operated by Company subsidiaries, this dock at Tilbury and a similar operation at Newport will serve as distribution points for the Company's products sold in Britain. Packaged lumber will be discharged directly into dockside storage where inventories will be available for U.K. buyers who formerly had to place orders many months in advance.





On April 14, 1966, the Chairman planted the 50 millionth seedling in the Company's forestry programme. He was assisted by Karen Best, young daughter of Douglas Best, a forestry supervisor with the Northwest Bay Division. No other forest products company in Canada has engaged in tree planting on a scale comparable to that of MacMillan Bloedel.

At the time of the tree planting ceremony in the Ash River Valley on Vancouver Island, Mr. Clyne said it "signifies that the forest industry of British Columbia has reached its maturity, that it is no longer engaged simply in the cutting of logs but in the harvest of a forest crop that is continually replaced, restored and improved".

Mr. Clyne pointed out that little Karen Best (below) was the only person present who could possibly see the 50 millionth tree reach its maturity in some 80 years' time. It will then stand some 100 feet tall and be 15 inches in diameter as a result of carefully managed growth conditions.



The Company is now planting 4½ million trees per year at the rate of four trees set out for each one harvested. Therefore, it will plant the next 50 million trees in about one-third the time it took to plant the first 50 million. It is estimated that the 50 million hand-planted trees now growing on timberlands managed by the Company would produce, at 80 years of age, sufficient wood to build houses for every family in western Canada.

The Company's hand-planted forests are tended and protected to produce a superior stock of trees in much less time than it would take for nature to do the job unassisted.

Consolidated Balance Sheet

DECEMBER 31 1966 (with comparable balances as at December 31 1965)

Assets	December 31 1966	December 31 1965
CURRENT ASSETS:		
Cash.....	\$ 2,885,697	\$ 2,910,587
Short term investments and deposits.....	897,745	375,920
Trade and other accounts receivable.....	62,170,835	50,136,170
Amounts receivable from non-consolidated subsidiaries.....	3,691,344	2,852,938
Inventories (Note 2).....	74,529,410	54,913,875
Prepaid expenses.....	1,631,851	1,908,149
	<u>145,806,882</u>	<u>113,097,639</u>
INVESTMENTS AND OTHER ASSETS:		
Non-consolidated subsidiaries –		
Investments (Note 1).....	40,394,295	39,322,232
Advances.....	628,340	—
Other investments, at cost		
(quoted market value December 31 1966 – \$3,146,100).....	4,253,477	4,113,477
Miscellaneous advances and other assets.....	6,409,548	4,328,960
Special refundable tax.....	2,757,283	—
	<u>54,442,943</u>	<u>47,764,669</u>
FUNDS ALLOCATED FOR CAPITAL PURPOSES:		
Funds held by trustee for construction projects, consisting principally of		
marketable securities, at cost which approximates market (Note 3).....	70,598,020	—
United States Treasury notes and bonds, at cost (quoted market value		
in Canadian funds, December 31 1966 – \$6,330,150).....	5,397,403	7,053,811
Government of Canada bonds, payable in U.S. funds,		
at cost which approximates market.....	717,778	717,778
	<u>76,713,201</u>	<u>7,771,589</u>
PROPERTY, PLANT AND EQUIPMENT (Note 4):		
Pulp and paper mills, sawmills, plywood mills, other buildings,		
machinery and equipment, at cost.....	477,804,913	450,171,139
Less –		
Accumulated depreciation.....	266,729,018	249,269,249
	<u>211,075,895</u>	<u>200,901,890</u>
Construction in progress.....	66,325,856	12,648,988
Timber and land, at cost less accumulated depletion		
(December 31 1966 – \$49,921,125; December 31 1965 – \$44,985,535).....	75,037,081	78,858,596
Logging roads, at cost less amortization.....	10,932,162	8,883,382
	<u>363,370,994</u>	<u>301,292,856</u>
BOND AND DEBENTURE DISCOUNT AND FINANCING EXPENSES,		
at cost less amortization.....	1,382,121	—
	<u>\$641,716,141</u>	<u>\$469,926,753</u>

Liabilities	December 31 1966	December 31 1965
CURRENT LIABILITIES:		
Bank loans (in part secured).....	\$ 6,738,925	\$ 11,000,000
Accounts payable and accrued liabilities.....	44,958,531	41,107,708
Income taxes payable	2,628,386	6,870,843
Payments due within one year on long term debt (Note 6).....	1,422,928	2,478,707
	<u>55,748,770</u>	<u>61,457,258</u>
CONSTRUCTION ACCOUNTS PAYABLE (Note 3).....	1,498,833	—
LONG TERM DEBT:		
Bonds and debentures (Note 5).....	197,831,386	59,621,255
Other secured liabilities.....	6,901,670	7,013,139
	<u>204,733,056</u>	<u>66,634,394</u>
DEFERRED INCOME TAXES (Note 7).....	52,334,300	32,252,888
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES.....	605,504	12,407
	<u>314,920,463</u>	<u>160,356,947</u>
Shareholders' Equity		
SHARE CAPITAL:		
Redeemable preference shares with a par value of \$1 each (Note 8).....	2,596,285	1,713,890
Ordinary shares without nominal or par value (Note 9) –		
Authorized – 25,000,000 shares		
Outstanding – 20,856,255 shares.....	159,497,000	159,497,000
	<u>162,093,285</u>	<u>161,210,890</u>
EARNINGS RETAINED FOR USE IN THE BUSINESS –		
per statement attached.....	164,702,393	148,358,916
	<u>326,795,678</u>	<u>309,569,806</u>
COMMITMENTS (Note 10)		
CONTINGENT LIABILITIES (Note 11)		
APPROVED ON BEHALF OF THE BOARD:		
 J. V. CLYNE <i>Director</i>		
 C. A. SPECHT <i>Director</i>		
	<u>\$641,716,141</u>	<u>\$469,926,753</u>

Auditors' Report

TO THE SHAREHOLDERS OF MacMILLAN BLOEDEL LIMITED:

We have examined the consolidated balance sheet of MacMillan Bloedel Limited as at December 31 1966 and the consolidated statements of earnings and earnings retained for use in the business and source and application of working capital for the year then ended. Our examination of the financial statements of the company and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. After making such enquiries and reviews as we considered necessary, we have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31 1966, and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 10 1967

PRICE WATERHOUSE & CO.,
Chartered Accountants

Notes to Consolidated Financial Statements as at December 31 1966

1. PRINCIPLES OF CONSOLIDATION:

It is the company's practice to include in its consolidated financial statements the accounts of its Canadian and United States subsidiaries but not the accounts of overseas subsidiaries in the United Kingdom and elsewhere. The equity of MacMillan Bloedel Limited in the net earnings for the year of the non-consolidated subsidiaries is included in the accompanying consolidated statement of earnings. The investments in these subsidiaries are carried on the consolidated balance sheet at a cost of \$36,754,835 plus the company's share of undistributed net earnings since acquisition. While the carrying value of the investments is in excess of the related equity in the net assets at book value, it is not considered that any provision for amortization is required.

The consolidated financial statements as at December 31 1966 include for the first time the two new subsidiaries referred to in Note 3 and, as described in that note, reflect the transactions relating to the leased facilities in Alabama as if such facilities were owned by the company. MacMillan Bloedel Limited owns only 60% of one of these subsidiaries but, in accordance with generally accepted principles of consolidation, the consolidated financial statements as at December 31 1966 include the total assets and liabilities of the subsidiary with appropriate recognition of the interest of minority shareholders.

Current assets and current liabilities of subsidiaries located outside of Canada have been converted into Canadian dollars at the rates of exchange in effect as at the balance sheet date, other assets (and related depreciation and amortization) and liabilities at the rates in effect at the dates on which the assets were acquired or the liabilities were incurred and items entering into net earnings at the average rates for the year.

2. INVENTORIES:

The companies' inventories as at December 31 1966 and December 31 1965 comprised the following:

	December 31	
	1966	1965
Logs, pulp chips and other raw materials	\$28,604,918	\$26,003,962
Lumber, plywood and other wood products	24,985,515	13,399,920
Pulp and paper products	9,243,465	5,098,642
Packaging products	1,543,263	1,050,589
Operating and maintenance supplies	10,152,249	9,360,762
	<u>\$74,529,410</u>	<u>\$54,913,875</u>

Logs, pulp chips and other raw materials and operating and maintenance supplies are valued at the lower of cost and replacement cost and manufactured products at the lower of cost and net realizable value.

3. FUNDS HELD BY TRUSTEE FOR CONSTRUCTION PROJECTS:

On June 6 1966 two of the company's United States subsidiaries, MacMillan Bloedel United Inc. and MacMillan Bloedel Products Inc., signed long term leases (with options to purchase at the end of the leases at nominal amounts) for a pulp and linerboard mill, sawmill, plywood mill and other facilities now being constructed in Alabama by The Industrial Development Board of the Town of Camden from the proceeds of the sale of industrial revenue bonds in the amount of \$70,000,000 U.S. The rentals under the leases are calculated to retire the principal and interest obligations under the bonds. Because of these and other provisions under the lease agreements, the transactions are being recorded on the basis of ownership for accounting purposes. Accordingly, the

unexpended proceeds from the sale of the bonds are shown in the accompanying consolidated balance sheet as funds held by the trustee, the expenditures to December 31 1966 are included in the total of construction in progress and the liability for the principal amount of the bonds is shown with bonds and debentures (Note 5).

The issued share capital of MacMillan Bloedel United Inc. is owned as to 60% by MacMillan Bloedel Limited and as to 40% by United Fruit Company of Boston, Massachusetts, and, in the same proportions, these companies guarantee the performance by MacMillan Bloedel United Inc. of the obligations under its lease agreement. The performance by MacMillan Bloedel Products Inc. of the obligations under its lease agreement is guaranteed by MacMillan Bloedel Limited.

4. PROPERTY, PLANT AND EQUIPMENT:

Particulars of plant and equipment as at December 31 1966 and December 31 1965 are as follows:

	Cost	Accumulated depreciation	Net book value
December 31 1966:			
Pulp and paper mills.....	\$340,478,436	\$185,026,781	\$155,451,655
Sawmills, plywood mills and other wood products plants.....	62,920,935	38,699,213	24,221,722
Logging buildings and equipment.....	53,157,436	33,113,808	20,043,628
Packaging plants and equipment.....	16,132,722	7,157,646	8,975,076
Other buildings and equipment.....	5,115,384	2,731,570	2,383,814
	<u>\$477,804,913</u>	<u>\$266,729,018</u>	<u>\$211,075,895</u>
December 31 1965:			
Pulp and paper mills.....	\$330,113,054	\$172,288,863	\$157,824,191
Sawmills, plywood mills and other wood products plants.....	56,443,739	35,400,151	21,043,588
Logging buildings and equipment.....	46,615,690	31,599,042	15,016,648
Packaging plants and equipment.....	11,911,956	6,434,571	5,477,385
Other buildings and equipment.....	5,086,700	3,546,622	1,540,078
	<u>\$450,171,139</u>	<u>\$249,269,249</u>	<u>\$200,901,890</u>

The company is engaged in an expansion programme at Powell River, B.C. now estimated to cost \$104,400,000 when completed of which \$64,827,167 has been spent to date. Of this latter amount, \$4,050,384 – in respect of construction completed during the year – is included with property, plant and equipment and the balance of \$60,776,783, together with \$5,549,073 relating to the new plant facilities in Alabama (referred to in Note 3), is shown as construction in progress.

5. BONDS AND DEBENTURES:

	December 31 1966	1965
MacMillan Bloedel Limited –		
4.95% sinking fund debentures Series "A" maturing October 1 1990:		
\$42,000,000 U.S. at December 31 1966 (Canadian equivalent \$45,517,500) –		
at amount realized.....	\$ 45,120,383	\$31,376,383
5½% ten year term debentures Series "B" maturing January 3 1976.....	50,000,000	—
	<u>95,120,383</u>	<u>31,376,383</u>
MacMillan Bloedel Industries Limited –		
Sinking fund debentures:		
5½% twenty-year debentures Series "A" maturing May 15 1978.....	13,038,000	14,059,000
4½% twenty-year debentures Series "B" maturing May 15 1978 – \$6,630,000 U.S.		
at December 31 1966 (Canadian equivalent \$7,185,262) – at amount realized....	6,379,303	8,178,594
	<u>19,417,303</u>	<u>22,237,594</u>
Burnaby Paperboard Ltd. –		
First mortgage and collateral trust bonds:		
1955 Series –		
4½% sinking fund bonds maturing September 1 1975.....	4,050,500	4,357,000
1958 Series –		
5¼% serial bonds maturing May 15 1967 and 1968.....	200,000	300,000
5¼% sinking fund bonds maturing May 15 1978.....	1,915,000	1,915,000
	<u>6,165,500</u>	<u>6,572,000</u>
Carried forward.....	<u>\$120,703,186</u>	<u>\$60,185,977</u>

Notes to Consolidated Financial Statements as at December 31 1966 (continued)

Brought forward.....	\$120,703,186	\$60,185,977
Kingsway Lumber Co. Limited – 6¾% sinking fund debentures:		
Series "A" maturing December 15 1982.....	973,500	—
Series "B" maturing February 1 1985.....	880,000	—
	<u>1,853,500</u>	<u>—</u>
MacMillan Bloedel Products Inc.* –		
3.95% to 4.10% industrial development revenue bonds, maturing June 1 1969 to 1975 – \$3,200,000 U.S. at December 31 1966 (Canadian equivalent \$3,468,000) – at amount realized.....	3,440,000	—
4¾% sinking fund industrial development revenue bonds, maturing June 1 1988 – \$10,800,000 U.S. at December 31 1966 (Canadian equivalent \$11,704,500) – at amount realized.....	11,610,000	—
	<u>15,050,000</u>	<u>—</u>
MacMillan Bloedel United Inc.* –		
3.95% to 4.10% industrial development revenue bonds, maturing June 1 1969 to 1975 – \$12,800,000 U.S. at December 31 1966 (Canadian equivalent \$13,872,000) – at amount realized.....	13,760,000	—
4¾% sinking fund industrial development revenue bonds, maturing June 1 1988 – \$43,200,000 U.S. at December 31 1966 (Canadian equivalent \$46,818,000) – at amount realized.....	46,440,000	—
	<u>60,200,000</u>	<u>—</u>
MacMillan Bloedel (Manitoba) Limited –		
4% debentures maturing January 1 1970.....	160,700	160,700
Less –	197,967,386	60,346,677
Payments due within one year.....	136,000	725,422
	<u>\$197,831,386</u>	<u>\$59,621,255</u>

*These industrial development revenue bonds are direct obligations of The Industrial Development Board of the Town of Camden, Alabama (see note 3).

6. PAYMENTS ON LONG TERM DEBT:

The payments on long term debt in each of the five years following December 31 1966 are as follows:

	Bonds and debentures	Other secured liabilities	Total
1967.....	\$ 136,000*	\$1,286,928	\$1,422,928
1968.....	1,357,474*	1,012,016	2,369,490
1969.....	4,381,297*	1,012,790	5,394,087
1970.....	4,923,247*	992,090	5,915,337
1971.....	7,126,067	934,832	8,060,899

*Reduced by purchase and cancellation of bonds and debentures up to December 31 1966.

7. DEFERRED INCOME TAXES:

It is the company's practice to claim for income tax purposes the maximum allowable capital cost allowances in respect of property, plant and equipment. Such allowances for 1966 are in excess of amounts provided in the accounts, with the result that income taxes currently payable have been reduced by \$20,081,412 (\$12,206,993 in 1965). This reduction is included in deferred income taxes in the accompanying consolidated balance sheet to be taken into earnings of future years when allowances for income tax purposes are less than the related amounts recorded in the accounts.

8. SHARE CAPITAL:

As at December 31 1965 the authorized and the outstanding 3% non-cumulative redeemable preference shares aggregated 7,080,735 shares and 1,713,890 shares respectively and the tax-paid undistributed income amounted to \$5,366,845. On February 2 1966 a stock dividend of 5,214,064 shares was declared and paid out of tax-paid undistributed income on the basis of 1 preference share for every 4 ordinary shares held. Notice of offer to purchase all outstanding preference shares was given on September 28 1966 and 4,331,669 shares were tendered for purchase prior to the closing date of the offer. These shares were then purchased and cancelled out of the proceeds of a debenture which was in turn redeemed prior to December 31 1966. After giving effect to the foregoing transactions, the authorized and the outstanding redeemable preference shares were reduced to 2,749,066 shares and 2,596,285 shares respectively and the tax-paid undistributed income to \$152,781.

9. STOCK OPTIONS:

As at December 31 1966 options for 96,000 shares were outstanding under the key employees' stock option plan. The options are exercisable up to October 6 1970 at \$26.75 per share, being at least 90% of the closing price on the last business day before the options were granted. Of the total shares under option, 42,500 shares are for officers who are full-time employees of the company. None of these options is held by the Chairman, Vice-Chairman or President.

10. COMMITMENTS:

In addition to commitments in connection with the construction in progress referred to in Notes 3 and 4, the company is also committed in respect of the following:

(a) An annual rental of \$145,239 (excluding taxes, insurance and other occupancy expenses payable by the company) up to 1988 under a lease of its present head office building. The company has also agreed to lease a new building now under construction on company-owned land at an estimated annual rental of \$1,080,000 commencing in 1968 and continuing to 1998. The company will occupy part of the building and intends to lease the remainder, as well as the present building, to other tenants.

(b) The hire of certain vessels under charter agreements for varying periods up to March 1976 at rentals aggregating \$24,750,000 for the periods of charter. The annual rentals due under these agreements are as follows:

1967.....	\$5,622,000
1968.....	2,222,000
1969 to 1974.....	2,416,000
1975.....	2,215,000
1976.....	195,000

(c) The acquisition of a minority interest in Koninklijke Nederlandsche Papierfabriek N.V. for a consideration of approximately \$15,000,000 of which \$1,535,531 has been paid to December 31 1966. Under the purchase agreement, payment of the balance is required to be made by January 1 1969.

(d) The commencement of construction on or before January 1 1968 of a pulp mill with a minimum rated capacity of 600 tons per day at Whitecourt, Alberta, in order to preserve the rights to timber leases acquired at a cost of \$1,725,500.

(e) The acquisition of a minority interest in, and the undertaking to make advances for capital purposes to, Celupal S.A., a company incorporated in Spain, which is now constructing a fine paper mill in that country. The total commitment of MacMillan Bloedel Limited is for an amount of approximately \$4,000,000, which, it is estimated, will be required during 1967 and 1968.

11. CONTINGENT LIABILITIES:

(a) A dispute exists between the company and the provincial taxation authorities over the value of certain timberlands purchased in 1964 from the Esquimalt & Nanaimo Railway Company on which a severance tax is payable in the amount of 25% of the actual value. The British Columbia Court of Appeal has ruled that the assessment notice issued to the company is invalid. This decision is being appealed by the Attorney-General of British Columbia to the Supreme Court of Canada. Although the dispute is still in the course of litigation the company is advised that the severance tax ultimately payable should not exceed the present provision in the accounts.

(b) By reason of the differences in the regulations and practices applicable to depreciation under the Income Tax Act (Canada) and under the British Columbia Logging Tax Act, the company at present is unable to realize in full the tax reductions available through offsetting logging taxes against federal income taxes in those years that accelerated depreciation is claimed under the Income Tax Act. Discussions have been held with both governments and the company is confident that progress is being made in the removal of this anomaly. If the company should not succeed it would suffer the loss of federal tax offset in the years 1962 to 1966 aggregating approximately \$3,000,000. However, the calculations of the tax provisions for those years have been made on the assumption that appropriate relief will be forthcoming.

12. SALES OF PRODUCTS AND SERVICES:

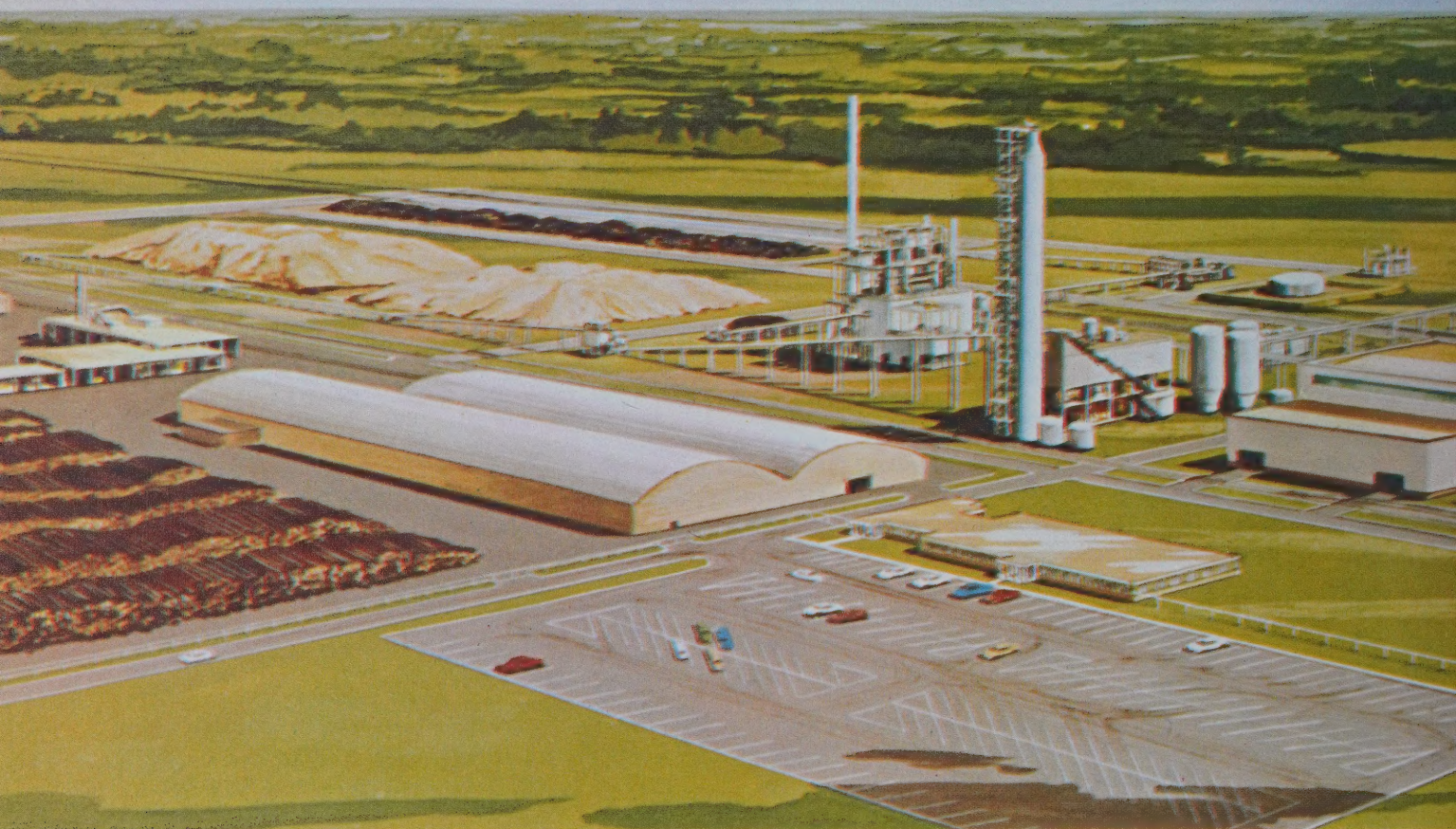
Sales, as in prior years, include the sales of products for account of, or purchased from, other manufacturers on which the margin of gross profit realized by the company is substantially less than that realized on the sale of its own manufactured products.

13. DIRECTORS' REMUNERATION:

The total remuneration received during the year by the directors, as such, was \$13,700 (1965 - \$12,750) and by the directors, as officers or employees, was \$534,677 (1965 - \$531,333).

14. DEPRECIATION, DEPLETION AND AMORTIZATION:

As in the preceding year, depreciation was computed for 1966 on a straight line basis at rates varying from 2½% on buildings to 15% on logging equipment. Depletion has been provided in both years on a timber cut basis and amortization of logging roads on a basis related to log production.



MacMillan Bloedel Limited

HEAD OFFICE

1199 West Pender Street
Vancouver 1, B.C.

LOGGING OPERATIONS, PLANTS AND DISTRIBUTION CENTRES

Logging Operations, B.C.

Cameron
Copper Canyon
Franklin River
Halfmoon Bay
Kelsey Bay
Kennedy Lake
Menzies Bay
Misery Creek
Nanaimo River
Nelson Island
Northwest Bay
Port Hardy
Queen Charlotte
Shawnigan
Sproat Lake
Squamish
Stillwater
Wakeman
Wilson Creek

Cedar Pole Yards

Nanaimo River, B.C.
New Westminster, B.C.
Port Alberni, B.C.

Lumber

Chemainus, B.C.
Harmac, B.C.
New Westminster, B.C.
Port Alberni, B.C.
Powell River, B.C.
Vancouver, B.C.

Plywood

Port Alberni, B.C.
Vancouver, B.C.

Wood Product Specialties

Hudson Bay, Sask.
Aspenite
Port Alberni, B.C.
Shingles
Vancouver, B.C.
Particleboard
Pres-to-logs
Shingles
Specialty Board

Newsprint

Port Alberni, B.C.
Powell River, B.C.

Pulp

Harmac, B.C.
Bleached Sulphate
Port Alberni, B.C.
Unbleached Sulphate
Powell River, B.C.
Unbleached Sulphite

Specialty Paper Products

Annacis Island,
New Westminster, B.C.
Fine Papers
Burnaby, B.C.
Folding and Rigid Boxes
Paper Bags
Paperboard
Roofing Felts
Port Alberni, B.C.
Corrugating Medium
Kraft Paper
Linerboard
Powell River, B.C.
Coarse Papers
Corrugating Medium

Corrugated Container Plants

*Manufacturing a wide variety
of corrugated containers*

CANADA

Winnipeg, Man.
Regina, Sask.
Edmonton, Alta.
Calgary, Alta.
New Westminster, B.C.

UNITED KINGDOM

Hatfield, Herts.
Nelson, Lancs.
Southall, Middx.
Weston-Super-Mare, Somerset

UNITED STATES

Baltimore, Md.
Jersey City, N.J.

Canadian Sales Offices and Distribution Centres

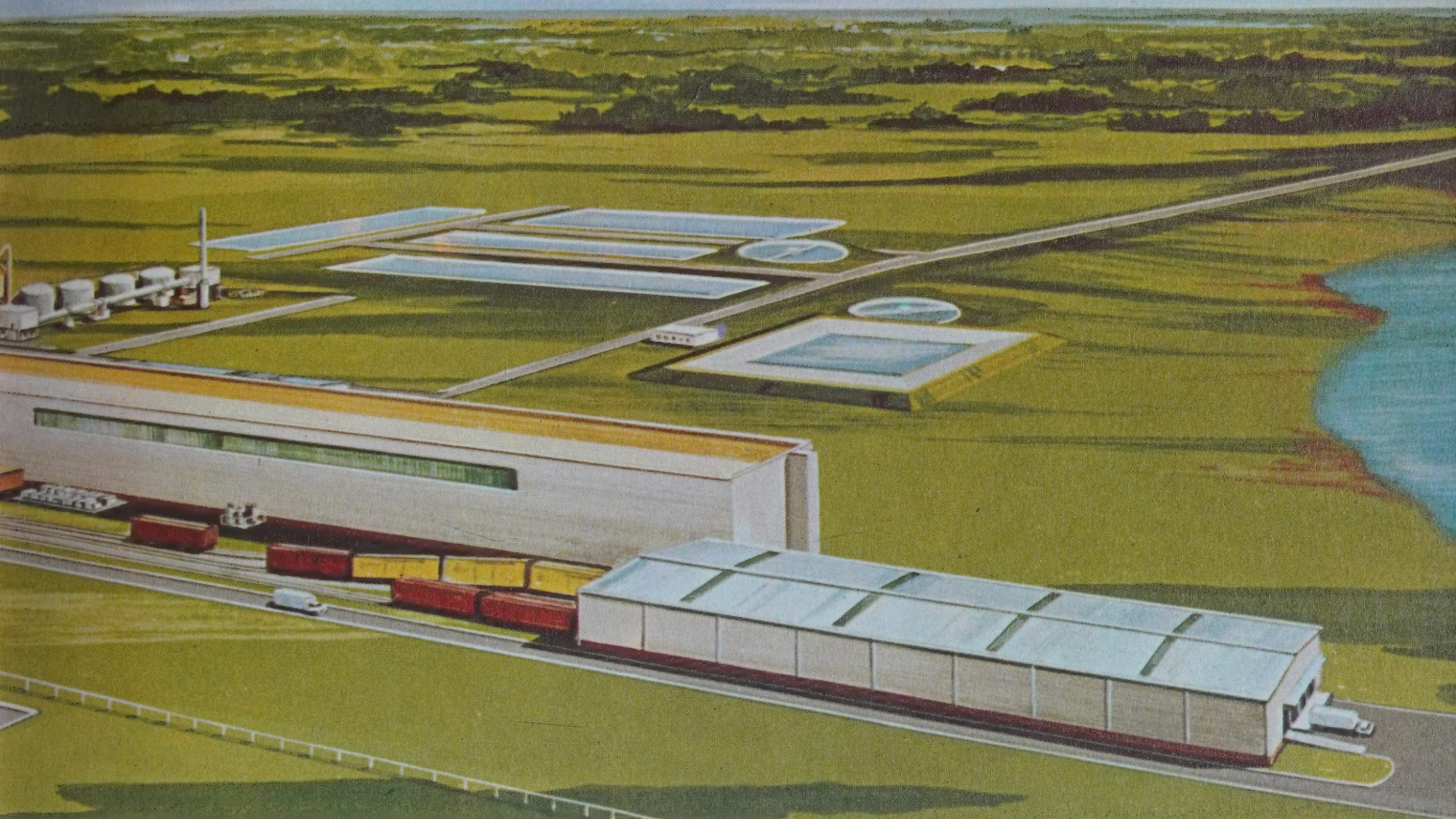
Wood Products

EASTERN

Truro, N.S.
Drummondville, Que.
Montreal, Que.
Quebec City, Que.
Rimouski, Que.
Belleville, Ont.
Brantford, Ont.
Carleton Place, Ont.
Chatham, Ont.
Fonthill, Ont.
London, Ont.
Orillia, Ont.
Oshawa, Ont.
Ottawa, Ont.
Owen Sound, Ont.
Sudbury, Ont.
Timmins, Ont.
Toronto, Ont.
Windsor, Ont.

WESTERN

Winnipeg, Man.
Regina, Sask.
Saskatoon, Sask.
Edmonton, Alta.
Calgary, Alta.
Lethbridge, Alta.
Vancouver, B.C.



PRINCIPAL SUBSIDIARY COMPANIES

Alberni Pulp & Paper Ltd.
 Blanchard Lumber Company
 Burnaby Paperboard Ltd.
 Canadian Transport Company Limited
 Canadian Transport (Terminals) Limited
 Cooks Corrugated Cases Limited
 Hygrade Corrugated Cases Limited
 Kingcome Navigation Company Limited
 Kingsway Lumber Co. Limited
 MacMillan Bloedel (Alabama) Inc.
 MacMillan Bloedel (Alberni) Limited
 MacMillan Bloedel (Alberta) Limited
 MacMillan Bloedel (B.C.) Limited
 MacMillan Bloedel Industries Limited
 MacMillan Bloedel (Manitoba) Limited
 MacMillan Bloedel Meyer Limited
 MacMillan Bloedel Meyer (Terminals) Limited
 MacMillan Bloedel (New York) Inc.
 MacMillan Bloedel (Ontario) Limited
 MacMillan Bloedel Packaging Limited
 MacMillan Bloedel Products Inc.
 MacMillan Bloedel Pty. Limited
 MacMillan Bloedel Pulp and Paper Sales Limited
 MacMillan Bloedel (Quebec) Limited
 MacMillan Bloedel Sales Inc.
 MacMillan Bloedel (Saskatchewan) Limited
 MacMillan Bloedel United Inc.
 MacMillan Jardine Limited

Artist's drawing illustrates how
 the Company's Alabama project
 will look when completed late in
 1968 near Pine Hill. Operations
 will include a linerboard mill,
 plywood plant and sawmill.

The linerboard mill will be built
 and operated by MacMillan Bloedel
 United Inc., owned jointly by the
 Company and United Fruit Company
 of Boston. Plywood and lumber
 phases of the integrated operation
 will be undertaken by MacMillan
 Bloedel on its own account. The site
 is on the west bank of the Alabama
 River about 100 miles upstream
 from the Gulf of Mexico, thus
 providing water access to markets.



MacMillan Bloedel Limited

SERVING THE WORLD WITH FOREST PRODUCTS